

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 COME-00 AGRE-00
TRSE-00 OMB-01 STR-04 CEA-01 CIEP-01 L-03 H-01 PA-01
PRS-01 SS-15 NSC-05 CIAE-00 INR-07 NSAE-00 EA-07
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O R 172044Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY SAN SALVADOR IMMEDIATE
INFO AMEMBASSY ABIDJAN
AMEMBASSY GUATEMALA
AMEMBASSY MEXICO
AMCONSUL RIO DE JANEIRO
AMEMBASSY SAN JOSE
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: U.S. VIEWS ON PROPOSED SPECIAL COFFEE
COUNCIL MEETING

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1. THE DEPARTMENT WAS SURPRISED BY THE BRAZILIAN/
COLOMBIAN CALL FOR A SPECIAL MEETING OF THE COFFEE COUNCIL
TO REVIEW THE CURRENT PRICE AND SUPPLY/DEMAND SITUATIONS
FOR COFFEE. WE WOULD LIKE TO KNOW WHAT SPECIFIC, TANGIBLE
MEASURES BRAZIL AND COLOMBIA HAVE IN MIND WHICH, IF
ADOPTED, COULD REVERSE THE RECENT PRICE SPIRAL. WE BE-
LIEVE ANY OTHER OUTCOME OF SUCH A MEETING WOULD RUN THE

RISK OF EXACERBATING THE SITUATION BY FOCUSING FURTHER ATTENTION ON THE TIGHT SUPPLY OUTLOOK. DESPITE OUR MISGIVINGS, THE U.S. IS PREPARED TO PARTICIPATE IN A SPECIAL MEETING, PREFERABLY OF THE EXECUTIVE BOARD OF THE ICO RATHER THAN THE COUNCIL.

2. IN OUR VIEW, CURRENT PRICES RESULT FROM THE BASIC SUPPLY/DEMAND OUTLOOK. WE SEE NO NEAR TERM IMPROVEMENT OF THE SUPPLY PICTURE. HOWEVER, WE DO EXPECT THAT ANNOUNCED INCREASES TO U.S. RETAIL PRICES AND FURTHER INCREASES IN THE PIPELINE COULD RESULT IN A SIGNIFICANT REDUCTION OF DEMAND IN THE U.S. MARKET.

3. CONSUMER REACTION TO RECENT PRICE RISES HAS BEEN INCREASINGLY NEGATIVE AND VOCAL. SEVERAL CONSUMER GROUPS HAVE CALLED FOR A NATIONWIDE BOYCOTT OF COFFEE. AT A MINIMUM, THESE CALLS AND THEIR MASSIVE PUBLICITY HAVE MADE CONSUMERS ACUTELY AWARE OF RISING COFFEE PRICES. THERE ARE INDICATIONS THAT U.S. CONSUMERS ARE IN THE PROCESS OF CHANGING THEIR CONSUMPTION HABITS AND ATTEMPTING TO MINIMIZE THE INCREASE IN THEIR EXPENDITURES ON COFFEE. THEY ARE SHIFTING TO HOUSE-BRANDS AND LOWER PRICED LINES OF COFFEE. WE UNDERSTAND THAT SEVERAL ROASTERS ARE TEST MARKETING NEW BRANDS WHICH EXTEND THE USAGE OF COFFEE WITH SUBSTANCES SUCH AS CHICORY. IN SUM, IT IS LIKELY THAT THE LONG TERM DECLINE IN U.S. PER CAPITA CONSUMPTION WILL ACCELERATE.

4. IT APPEARS TO US THAT THE BRAZILIAN MARKETING LIMITED OFFICIAL USE

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APPROACH HAS BEEN A REASONABLE, BUT LARGELY INEFFECTIVE DEVICE FOR RATIONING AVAILABLE SUPPLIES. INSTEAD OF PRICING ITSELF OUT OF THE MARKET, BRAZIL HAS PULLED THE MARKET UP TO ITS PRICE LEVELS AND STIMULATED RATHER THAN SLOWED ITS EXPORT LEVELS. EARLIER BRAZILIAN ANNOUNCEMENTS OF PURCHASES FROM OTHER COFFEE EXPORTERS HAD A PRICE INFLATING EFFECT. THE JANUARY 13 ANNOUNCEMENT BY INTERBRAS THAT BRAZIL IS NEGOTIATING A FURTHER PURCHASE FROM THE MALAGASY REPUBLIC IS IRRESPONSIBLE AND SHORTSIGHTED IN PRESENT MARKET CONDITIONS.

5. IF A SPECIAL MEETING IS HELD IN LONDON, THE U.S. DOES NOT INTEND EITHER TO SEEK A CONFRONTATION WITH BRAZIL AND OTHER PRODUCERS NOR TO ISSUE BRAZIL A CLEAN BILL OF HEALTH FOR ITS MARKETING STRATEGY. RATHER, WE BELIEVE ANY SUCH MEETING SHOULD SEEK CONSTRUCTIVE MEASURES WHICH WOULD HAVE A CALMING EFFECT ON A MARKET WHICH IS CLEARLY OUT OF CONTROL. OTHERWISE THE MEETING COULD ADD A NEW IMPETUS TO FURTHER PRICE RISES AND TO CONSUMER BOYCOTT

EFFORTS. BOGOTA, BRASILIA AND LONDON MAY DRAW ON THE FOREGOING IN THEIR DISCUSSIONS WITH BRAZILIAN AND COLOMBIAN OFFICIALS.

6. FOR BRASILIA AND SAN SALVADOR: DEPARTMENT NEEDS AS SOON AS POSSIBLE RELIABLE STATISTICS ON THE VOLUME OF COFFEE TRADE BETWEEN BRAZIL AND EL SALVADOR IN 1976.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PRICE STABILITY, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 17-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: TJOYDONNELL:BLO
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Subject: COFFEE: U.S. VIEWS ON PROPOSED SPECIAL COFFEE COUNCIL MEETING LIMITED OFFICIAL USE
TAGS: ETRD, EAGR
To: BOGOTA BRASILIA MULTIPLE
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